

Assumptions

Customer base in 2000 300,000,000 internet user connexions

Future Market Growth for the following 5 years

Market share growth: 1992: not year for the first 5 years

avg. hourly exposure per day

Price for a click-through based on current market prices and statistics

Revenue for a click-through $0.10 = \text{price of a click-through} \times \text{commission}$

PROVED BY HERBERT A. HARRIS, JR.,

Cost of goods sold % of revenues

Cost of goods sold	67% of revenues
Marketing expenses	2.5% of revenues

Marketing expenses	% of revenues
2014	1.2
2013	1.2
2012	1.2
2011	1.2
2010	1.2
2009	1.2
2008	1.2
2007	1.2
2006	1.2
2005	1.2
2004	1.2
2003	1.2
2002	1.2
2001	1.2
2000	1.2
1999	1.2
1998	1.2
1997	1.2
1996	1.2
1995	1.2
1994	1.2
1993	1.2
1992	1.2
1991	1.2
1990	1.2
1989	1.2
1988	1.2
1987	1.2
1986	1.2
1985	1.2
1984	1.2
1983	1.2
1982	1.2
1981	1.2
1980	1.2
1979	1.2
1978	1.2
1977	1.2
1976	1.2
1975	1.2
1974	1.2
1973	1.2
1972	1.2
1971	1.2
1970	1.2
1969	1.2
1968	1.2
1967	1.2
1966	1.2
1965	1.2
1964	1.2
1963	1.2
1962	1.2
1961	1.2
1960	1.2
1959	1.2
1958	1.2
1957	1.2
1956	1.2
1955	1.2
1954	1.2
1953	1.2
1952	1.2
1951	1.2
1950	1.2
1949	1.2
1948	1.2
1947	1.2
1946	1.2
1945	1.2
1944	1.2
1943	1.2
1942	1.2
1941	1.2
1940	1.2
1939	1.2
1938	1.2
1937	1.2
1936	1.2
1935	1.2
1934	1.2
1933	1.2
1932	1.2
1931	1.2
1930	1.2
1929	1.2
1928	1.2
1927	1.2
1926	1.2
1925	1.2
1924	1.2
1923	1.2
1922	1.2
1921	1.2
1920	1.2
1919	1.2
1918	1.2
1917	1.2
1916	1.2
1915	1.2
1914	1.2
1913	1.2
1912	1.2
1911	1.2
1910	1.2
1909	1.2
1908	1.2
1907	1.2
1906	1.2
1905	1.2
1904	1.2
1903	1.2
1902	1.2
1901	1.2
1900	1.2
1899	1.2
1898	1.2
1897	1.2
1896	1.2
1895	1.2
1894	1.2
1893	1.2
1892	1.2
1891	1.2
1890	1.2
1889	1.2
1888	1.2
1887	1.2
1886	1.2
1885	1.2
1884	1.2
1883	1.2
1882	1.2
1881	1.2
1880	1.2
1879	1.2
1878	1.2
1877	1.2
1876	1.2
1875	1.2
1874	1.2
1873	1.2
1872	1.2
1871	1.2
1870	1.2
1869	1.2
1868	1.2
1867	1.2
1866	1.2
1865	1.2
1864	1.2
1863	1.2
1862	1.2
1861	1.2
1860	1.2
1859	1.2

Selling expenses 20% of revenues

G&A expenses $\frac{1}{10}$ of revenues

Hardware & Software costs 10,000,000 for the first year of operations

CAPEX 5% of revenues

WCB 100% of revenues: average of the industry

(could be reduced greatly, depending on the agreements with the ad agencies)

Caracalla leaves

Corporate taxes	44.7%
Personal income taxes	30.2%

Future growth after 2005

CV = FCF(2005)*(1+growth) / WACC conservative scenario for a fast growing market

source: Internet Advertisement Bureau - PWC

Cost of goods sold	8,212,500	11,826,000	17,029,440	24,522,394	35,312,247
Marketing expenses	16,425,000	23,652,000	34,058,880	49,044,787	70,624,494
Selling expenses	32,850,000	47,304,000	68,117,760	98,089,574	141,248,987
G&A expenses	8,212,500	11,826,000	17,029,440	24,522,394	35,312,247
Depreciation expense	3,285,000	4,730,400	6,811,776	9,808,957	14,124,899
Expenses per year	68,985,000	99,338,400	143,047,296	205,988,106	296,622,873

CAPEX	8,212,500	11,826,000	17,029,440	24,522,394	35,312,247
WCR	19,710,000	28,382,400	40,870,656	58,853,745	84,749,392
ΔWCR	0	8,672,400	12,488,256	17,983,089	25,895,648

EBIT	95,265,000	137,181,600	197,541,504	284,459,766	409,622,063	
- Taxes on EBIT	38,106,000	54,872,640	79,016,602	113,783,906	163,848,825	
NOPLAT	57,159,000	82,308,960	118,524,902	170,675,859	245,773,238	
+ Depreciation	3,285,000	4,730,400	6,811,776	9,808,957	14,124,899	
- CAPEX	8,212,500	11,826,000	17,029,440	24,522,394	35,312,247	
- Δ(WCR)	0	8,672,400	12,488,256	17,983,089	25,895,648	
FCF	52,231,500	66,540,960	95,818,982	137,979,335	198,690,242	842,446,626

NPV(FCF _i)	41,785,200	42,586,214	49,059,319	56,516,335	65,106,818	276,052,910
NPV(FCF)	531,106,798					
+excess cash	0					
-debt	-10,000,000					
Value of the company	521,106,798 \$					

Net PPE	10,000,000	17,095,600	27,313,264	42,026,700	63,214,048
Invested Capital (IC)	29,710,000	45,478,000	68,183,920	100,880,445	147,963,441
New Investments (INV)	4,927,500	15,768,000	22,705,920	32,696,525	47,082,996
ROIC	192.39%	180.99%	173.83%	169.19%	166.10%
RONIC		159.50%	159.50%	159.50%	159.50%
Net Income (NI)	57,159,000	82,308,960	118,524,902	170,675,859	245,773,238
NI as % of sales	34.80%	34.80%	34.80%	34.80%	34.80%

CAPEX = Net PPE(t) - Net PPE(t-1) + Depreciation(t)

IC= WCR + Net PPE

INV = ΔWCR + CAPEX - Depreciation (t)

ROIC = NOPLAT / IC

RONIC = Δ(NOPLAT) / INV = Δ(ROIC)

NI = NOPLAT in case of zero debt

Balance Sheet	2001	2002	2003	2004	2005	
Current Liabilities						
Short Term Debt	0	0	0	0	0	no debt
Accounts Payable	16,425,000	23,652,000	34,058,880	49,044,787	70,624,494	10% of revenues
Other Current Liabilities	0	0	0	0	0	
Total Current Liabilities	16,425,000	23,652,000	34,058,880	49,044,787	70,624,494	
Non-current Liabilities						
Long Term Debt	0	0	0	0	0	no debt
New Long-term Debt	0	0	0	0	0	no debt
Deferred Income Taxes	0	0	0	0	0	
Other Non-Interest Liabilities	0	0	0	0	0	
Retirement Related Liabilities	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Preferred Stock	0	0	0	0	0	
Shareholders' Equity						
Common Stock & Paid-in Capital	2,250,000	2,250,000	2,250,000	2,250,000	2,250,000	250'000 common stock and initial financing of 2'000'000
Retained Earnings	27,179,000	47,457,960	127,982,960	203,863,722	324,441,958	given from the statement of retained earnings
Treasury Stock	0	0	0	0	0	
Cummulative Trans and Other Adj	0	0	0	0	0	
Total Common Equity	29,439,000	49,707,960	130,232,960	210,916,722	326,691,958	
Total Liabs and Equity	45,834,000	95,369,960	164,301,742	259,963,509	407,316,453	

Goodwill	1,000,000	8,000,000	12,000,000	24,000,000	46,500,000	necessary possible alliances
Other Operating Assets	0	0	0	0	0	
Investments & Advances	0	0	0	0	0	
Other Non-op Assets	0	0	0	0	0	
Total Assets	45,834,000	95,369,960	164,301,742	259,963,509	407,316,453	

Income Statement	2001	2002	2003	2004	2005
Revenues	164,250,000	136,530,000	340,763,800	490,447,877	702,344,336
Cost of Goods Sold	8,212,500	11,138,000	17,029,440	24,522,904	35,312,247
Selling, Gen & Admin Expenses	17,687,500	82,732,000	119,206,979	171,898,705	247,163,702
Depreciation Expense	3,285,000	4,730,400	8,811,778	9,803,957	14,124,899
Other Oper Income/Expense	0	0	0	0	0
Operating Income	95,265,000	137,181,600	197,541,504	284,459,766	409,622,063
Amortization of Goodwill	0	0	0	0	0
Non-Oper Income	0	0	0	0	0
Interest Income	0	0	0	0	0
Interest Expense	0	0	0	0	0
Special Items	0	0	0	0	0
Earnings Before Taxes	95,265,000	137,181,600	197,541,504	284,459,766	409,622,063
Income Taxes	38,106,000	54,872,640	79,016,602	113,783,906	163,848,825
Minority Interest	0	0	0	0	0
Income Before Extra Items	57,159,000	82,308,960	118,524,902	170,675,859	245,773,238
Extraordinary Items	0	0	0	0	0
Net Income	57,159,000	82,308,960	118,524,902	170,675,859	245,773,238

Assumes that the company has no debt

Statement of Retained Earnings	2001	2002	2003	2004	2005
Beginning Ret Earnings	0	27,159,000	69,467,960	127,992,862	208,668,722
Net Income	57,159,000	82,308,960	118,524,902	170,675,859	245,773,238
Common Dividends	39,200,000	40,000,000	80,000,000	99,000,000	120,000,000
Preferred Dividends	0	0	0	0	0
Adj to Retained Earnings	0	0	0	0	0
Ending Ret Earnings	27,159,000	69,467,960	127,992,862	208,668,722	334,441,959

Balance Sheet	2001	2002	2003	2004	2005
Current Assets					
Operating Cash	3,285,000	4,730,400	8,811,778	9,803,957	14,124,899
Excess Marketable Securities	25,845,000	61,176,180	113,134,000	179,582,904	276,588,285
Accounts Receivable	8,212,500	11,138,000	17,029,440	24,522,904	35,312,247
Inventories	3,285,000	4,730,400	8,811,778	9,803,957	14,124,899
Other Current Assets	0	0	0	0	0
Total Current Assets	38,727,500	83,456,960	143,787,022	223,702,312	341,660,329
Non-current Assets					
Gross Prop Plant Equip	7,331,250	10,643,400	15,328,496	22,075,164	31,231,032
Accum. Depreciation	3,285,000	4,730,400	8,811,778	9,803,957	14,124,899
Net Property Plant and Equip	4,106,250	5,913,000	8,514,720	12,261,197	17,656,123

2% of revenues, for the urgent needs of the sales & marketing department

difference between total liabilities&equity and total assets

5% of revenues

2% of revenues, ads not yet send to clients

4% of revenues

2% of revenues